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DIRECTORATE OF  
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# *Central Intelligence Bulletin*

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South Vietnam: Several sharp military engagements occurred on 7-8 August, but enemy-initiated activity remained at the relatively low levels of the past few weeks.

Heavy fighting erupted just south of the Demilitarized Zone on 7 August when US Marines engaged Communist forces in three separate battles. Scattered action elsewhere generally was prompted by allied initiatives.

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There are tenuous signs that the Communists may be maneuvering toward a new announcement concerning the Provisional Revolutionary Government (PRG). The PRG press spokesman in Paris on 7 August said once again that the Communists are consulting with non-Communist South Vietnamese opposed to the present Saigon government. In response to a newsman's question, he claimed that discussions were going on in Paris, South Vietnam, and elsewhere on the "restoration of peace and cessation of the American war of aggression."

This statement could mean that the Communists intend to push some kind of cease-fire scheme under the auspices of various non-Communist South Vietnamese. It seems more likely, however, that the Communists might either broaden the PRG or attempt to associate it more closely with other groups or individuals, perhaps even in a "provisional coalition." A new move, however, might be merely an announcement of a meeting of some of these groups and the issuance of a set of common objectives.

25X1 [redacted] the Communists have made some headway in getting the cooperation of certain South Vietnamese exiles in Paris. A hint of something new to come was also dropped in a Viet Cong broadcast on 2 August that a "draft plan to heighten further the prestige" of the PRG had recently been adopted at a meeting of PRG officials.

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Czechoslovakia-USSR: After nearly a year's occupation the Soviets have achieved only some of their aims and are now girding for possible violence during the anniversary of the invasion.

Moscow's record in Czechoslovakia suggests that it may regard forcible measures rather than conciliation as the best means of avoiding a flareup on 20 August. The Soviets have reason to be concerned. The population is ignoring official appeals not to engage in any kind of demonstration; handbills continue to appear, mostly calling for peaceful anti-Soviet and antiregime demonstrations. Nevertheless, tension is so high in some areas that a small wrong move could grow into something more serious. In the past few weeks there have been instances of violence directed against Soviets. While no large-scale violence is likely, the possibility of isolated outbreaks is real.

Hardliners in the Czechoslovak party, probably confident of Soviet backing, are critical of party chief Husak for proceeding too slowly in recreating an orthodox Communist regime. They are calling for arrests and trials of liberals and other anti-Soviet and anti-Communist individuals. They want a condemnation of Dubcek, Smrkovsky, and others. They want the government to follow the party's orders again, and demand that nonparty groups such as labor unions and student groups profess their fealty or disband. Most of all, they want the leadership to justify the Warsaw Pact's invasion.

Husak condemned the invasion along with other leaders and is holding off from endorsing it. Husak, who suffered long imprisonment in the name of Soviet Communism, is opposed to the return of terror and wants to run a controlled version of last year's participatory government.

In an effort to obtain a statement justifying the invasion, the Soviets are undoubtedly pressing

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demands similar to those expressed by the Czechoslovak conservatives on Husak and President Svoboda, who have been closeted with Brezhnev and Podgorny in the Crimea since last weekend. The Soviet leaders may also be calling for a ruthless purge of Dubcek's appointees and their replacement by reliable hard-liners. The same kind of pressure is probably being exerted in Prague under the direction of General Yepishev, chief of the Soviet armed forces political administration, who arrived on 6 August. He may be taking a hand in a purge of liberal and anti-Soviet officers in the Czechoslovak armed forces which seems to be reaching further into the upper levels of the defense ministry. Yepishev may also be looking at the readiness of Soviet forces and trying to determine the reliability of the Czechoslovak armed forces.

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Romania-USSR: Romanian and Soviet spokesmen at the party congress in Bucharest are talking past each other, restating their divergent views but avoiding an open clash.

Ceausescu spoke of a system of sovereign Communist states but again opposed the concept of a bloc. He defined imperialism in a way that could apply equally to the USSR and the US. He expressed a determination to fight to preserve his country's independence but at the same time took a conciliatory line toward Moscow.

The Soviet delegate, K.V. Katushev, indirectly reproached Bucharest for President Nixon's visit by condemning "the perfidious practice of bridgebuilding." He declared Moscow's intent to "resist" economic and political penetration of Communist countries by non-Communists, and reminded all present that the Kremlin considers itself entitled to act against dissidents who threaten the Communist system. Katushev's speech, nevertheless, met with strong rebuffs from the Yugoslav, Italian, and Spanish parties.

Katushev's remarks were backed up yesterday by an article in Izvestia containing Moscow's first direct and authoritative statement linking criticism of the "bridgebuilding" concept with President Nixon's visit to Romania.

Katushev's walkout while a telegram from the absent Chinese Communists was read reflected the Soviets' displeasure not only with the Chinese but also in part with the Romanians. Katushev's act seemed planned in advance for maximum effect. Peking's otherwise routine greeting wished Romania success in its "defense of national independence and socialism," an oblique dig at Moscow's doctrine of "limited sovereignty."

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Western Europe: The decision to devalue the franc yesterday was made in response to the pressure of steadily declining external reserves and in anticipation of heavy speculation against France's currency this autumn.

The Pompidou government took the international financial community, including the finance ministries and treasuries of the major Western countries, completely by surprise. The value of the franc has been reduced by 11.1 percent, and the gold content of the French currency has now fallen from 0.180 to 0.160 grams.

In light of the pressures which have been building against the franc since the political troubles of May and June 1968 as well as the widely recognized overvaluation of the franc relative to the West German mark, devaluation has been one of the most likely options available to the post - De Gaulle government. It was not expected at precisely this time, however, inasmuch as relative calm had returned to world exchange markets. The French have thus scored an impressive tactical success by accomplishing their devaluation amid a minimum of speculative pressures.

The devaluation will have major repercussions throughout Western Europe, although competitive devaluations of other currencies are not expected. The move will throw the EEC's agricultural financing scheme--and therefore the Common Agricultural Policy--into even greater disarray. The British pound, now rendered even weaker by the French move, almost certainly will suffer speculative attack when the major foreign exchange markets reopen on Monday. Although a principal source of speculative pressure for revaluation of the deutschemark has been removed by the devaluation, the German currency remains substantially undervalued against most other major currencies, so that the speculative crisis expected after the German elections still may occur.

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Devaluation will help considerably to slow the growth of French imports and should stimulate French exports, thus beginning to reduce the French trade imbalance that had grown to serious proportions during 1968 and 1969. Devaluation will have to be buttressed by a continuation or intensification of restrictive policies designed to moderate the French economic boom. But in the longer run it may facilitate French economic expansion by easing the pressure on the balance of payments.

Other members of the franc currency zone have been invited to a meeting in Paris tomorrow to discuss the impact of the devaluation on their currencies.

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Israel-Jordan: Israeli planes have hit Jordan for the third time in three days in response to what Tel Aviv claims is increased fedayeen and Jordanian Army activity.

Israeli aircraft yesterday attacked army positions near the southern end of the Dead Sea. Earlier, a spokesman for the Palestine Armed Struggle Command claimed that several hundred Arab commandos had struck three military outposts in the northern Jordan Valley, causing heavy casualties. An Israeli Army spokesman denied the Arab claims, but acknowledged that a settlement in the northern Jordan Valley had been hit by bazooka fire.

On Wednesday Israeli jets struck a Jordanian brigade headquarters. On Thursday other army positions were hit after an Israeli soldier and a civilian were killed and 12 soldiers wounded when a bus ran over a mine south of Lake Tiberias.

The Israelis have asserted that during the past week the Jordanian Army has fired "at any target found," military or civilian, but primarily military. They say that the Jordanians have used tanks and artillery as well as small arms. The Israelis believe that this is not the result of local initiative but of a higher level decision.

Unless the Jordanians cool things off along the cease-fire line, they can expect more Israeli retaliation.

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Malaysia: Growing antagonism between Malay moderates and extremists is adding to the precariousness of the political situation.

The recent ouster by Prime Minister Rahman of two prominent Malay chauvinists from responsible positions in the government and ruling party has apparently checked for the moment the extremists' efforts to challenge Rahman's leadership. Nevertheless, it seems probable that a majority of the rank and file of the party support the extremists, and the positions of the moderates and extremists are polarizing.

The other ministers have stood by Rahman, and, at least by implication, endorsed his conciliatory policies toward Malaysia's Chinese community. This has had the effect of undermining Malay support for the entire government, because most Malays see the Chinese as responsible for the country's current difficulties and tend to turn against even hitherto popular Malay politicians such as the home minister, who recently attacked the extremists for trying to unseat Rahman. Many Malays have been calling for Rahman's resignation, and there is some evidence that he would like to quit when the time seems propitious.

For the near term, the extremists still do not appear to have developed sufficient strength to effect a change in party leadership. The moderates within the party continue to retain both firm control over the national administration and the loyalty of the police and the upper echelons of the military. A recurrence of serious communal violence, which could come at any time, would greatly strengthen the extremists' hand.

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Burma: Rice exports this year may be the lowest since World War II.

Exports of this commodity, Rangoon's principal source of foreign exchange earnings, have declined steadily since 1963 when Burma led the world with exports of 1.7 million tons. Last year they fell to 350,000 tons. Production has remained fairly stable, but a low government purchase price has encouraged domestic sales in the black market at the expense of exports. A bumper crop in 1968 and increased sales to the government despite the low price have increased the supply of available export stocks to more than 500,000 tons, but Burma's principal customers have lower import requirements this year.

Ceylon's record rice crop makes purchases from Burma this year unnecessary, and Indonesia's requirements have been met by a bumper crop and US PL-480 assistance. India bought about 200,000 tons of Burmese rice earlier this year, but no further purchases are contemplated. Because rice contracts as of July 1969 had been concluded for only 295,000 tons and no further large orders are in sight, Burma's exports in 1969 may not amount to much more than 300,000 tons.

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Greece: Greek authorities believe that two different groups are responsible for the recent spate of bombings in the Athens area.

Some of the arrested professors, lawyers, and students reportedly have confessed to bombing some government buildings. They are said to have organized the resistance organization, the Democratic Defense, and to be supporters of Andreas Papandreou. The homemade bombs were reportedly delivered to Athens by a Swedish citizen late in April; Papandreou's front group is based in Stockholm.

Since the middle of May at least two dozen homemade bombs have been exploded in various government buildings and American cars and installations. Leaflets left at the scene of the bombings of American property led authorities to believe that a conservative proroyalist group was responsible. Security officials, however, were not convinced that the same group had bombed the Greek buildings.

Greek authorities now conclude that the resistance group is responsible for the bombings of public places in the center of Athens, while retired or cashiered military officers are behind the bombings of American cars. Although no one has been seriously injured, the Greek Government is anxious to stop these incidents before they adversely affect tourism.

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Congo (Kinshasa): Some 35 students have been put on trial for fomenting demonstrations in Kinshasa last June.

Use of troops to disperse Lovanium University students parading through downtown Kinshasa on 4 June resulted in the death of at least a dozen students. The bloodshed and peremptory closing of Lovanium provoked sympathy demonstrations and strikes at the Congo's two smaller universities and several technical schools. An early summer recess deflected the sympathy strike undertaken at the Official University of the Congo in Lubumbashi, which might have led to clashes between students and troops. Most students at the technical schools then yielded to an ultimatum that they take final exams in June or face expulsion.

The trial of the students may be intended to set the stage for reopening Lovanium in the fall. President Mobutu's firm stance toward student protests probably convinced most students that marching on government buildings is even more perilous than taking make-up exams.

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USSR-China: The border river navigation talks conducted in Khabarovsk since 18 June have ended. TASS has announced that the two sides signed a protocol on the improvement of shipping on border waterways for the current season, and that the next annual meeting will be held in China. The apparent success of the talks came in spite of tensions between the two sides and shows that on matters of mutual practical advantage they are able to reach agreement despite their problems. [REDACTED]

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Colombia: The ambush and murder of all ten members of an army patrol in central Colombia on 6 August demonstrates that security forces have not eliminated guerrillas in inaccessible areas. A strong antiguerrilla campaign has greatly reduced their activity in the past two years, but recent attacks indicate that competing guerrilla groups responsive to Havana, Moscow, and Peking retain some capabilities in remote areas protected by rugged terrain. [REDACTED]

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## Panama:

small insurgent bands have been operating for the first time in an area less than 50 miles east of Panama City. National guard forces have arrested some 20 persons there because of suspected links to deposed president Arnulfo Arias.

five well-armed "guerrillas," also believed to be Arias supporters, were captured by Costa Rican authorities on 3 August near the Panamanian border. Although these are the first reported actions after a long period of quiet, the chances of a significant resumption of rural insurgency appear remote.

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Chile-USSR: The Soviet Union wishes to assign a diplomat to its embassy in Santiago to work as liaison with the UN Economic Commission for Latin America. Such an assignment would require special permission from the Chilean Government because it would further exceed the official quota for Soviet diplomats in Chile. The Soviet deputy permanent representative to the UN said that the request was being made to "symbolize the interest of the USSR in Latin America." The matter has been referred to President Frei for final decision.

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Surinam-Guyana: The Guyana Government has confirmed that a small Surinam military contingent has occupied a portion of the two countries' disputed border area. Surinam has long laid claim to the area--almost 6,000 square miles of Guyana's eastern region--and although the dispute has been a major source of friction it has not resulted in an armed clash. Nevertheless, the Surinam encroachment comes at a time when the Guyana Government is worried about Venezuela's claims to over half of Guyana's territory, and may give Prime Minister Burnham's domestic opponents the opportunity to embarrass the government over its handling of the entire border problem.

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